

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2017**

**Legislative Fiscal Note  
REVISED**

**BILL NUMBER:** Senate Bill 628 (First Edition)

**SHORT TITLE:** Various Changes to the Revenue Laws.

**SPONSOR(S):** Senators Tillman, Brock, and Tucker

<b>FISCAL IMPACT</b>					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>State Impact</b>					
General Fund Revenues:	(\$7.0)	(\$7.2)	(\$7.4)	(\$7.6)	(\$7.9)
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
<b>NET STATE IMPACT</b>	<b>(\$7.0)</b>	<b>(\$7.2)</b>	<b>(\$7.4)</b>	<b>(\$7.6)</b>	<b>(\$7.9)</b>
<b>Local Impact</b>					
Revenues:					
Expenditures:					
<b>NET LOCAL IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> NC Department of Revenue					
<b>EFFECTIVE DATE:</b> Applicable to calculation of franchise tax reported on 2017 and later corporate tax returns					
<b>TECHNICAL CONSIDERATIONS:</b> None					

**REVISION:**

The fiscal note is revised to recognize that the fiscal impact associated with the franchise tax change in Section 1.3 begins in FY 17-18, instead of FY 18-19 as noted on the original fiscal note. This is because the legislation is applicable to the calculation of franchise tax reported on 2017 and later corporate tax returns.

**BILL SUMMARY:**

Senate Bill 628 makes numerous changes to the Revenue Laws. The changes are technical or administrative in nature and are not estimated to have a material fiscal impact, with one exception. Consequently, this fiscal note only addresses Section 1.3 of the bill, which results in a reduction in estimated franchise tax collections.

Section 1.3 reinstates a franchise tax deduction that allows taxpayers to reduce the tangible property base by the amount of any debt owed on the property. This deduction was eliminated in 2015 franchise tax legislation.

**ASSUMPTIONS AND METHODOLOGY:** The estimate is based on historical tax data showing the fiscal impact of the deduction on franchise tax collections in two prior years. Next, the percentage reduction in total net franchise tax revenue for the prior years was calculated and averaged. The average percentage reduction was then applied to the consensus franchise tax revenue forecast to derive the estimated reduction in franchise tax collections beginning in FY 17-18.

**SOURCES OF DATA:** North Carolina Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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Fiscal Research Division

**DATE:** May 23, 2017



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